

**HURON COUNTY  
BAD AXE, MICHIGAN**

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**SINGLE AUDIT  
YEAR ENDED DECEMBER 31, 2006**

**Page Number*****Single Audit Reports***

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Huron County, Michigan

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise Huron County's basic financial statements and have issued our report thereon dated June 6, 2007. We did not audit the financial statements of the following funds and component units included in the financial statements of Huron County, Michigan:

<u>Funds/Component Units</u>	<u>Classification</u>	<u>Percentage of Government-wide Total Revenues and Other Sources</u>	<u>Percentage of Government-wide Total Assets</u>
Primary government:			
Airport and Parks Funds	Governmental activities	8.82%	29.73%
Huron Transit Funds	Business type activities	15.04%	11.54%
Discretely presented:			
Road Commission	Component units	47.30%	56.87%
Drain Funds	Component units	8.92%	32.32%
Huron Behavioral Health	Component units	33.44%	4.81%

The financial statements for these funds and component units were audited by other auditors, whose reports thereon were furnished to us, and our opinions, insofar as it relates to the amounts included for the above-mentioned funds and component units, are based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huron County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Huron County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Huron County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Huron County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Huron County's financial statements that is more than inconsequential will not be prevented or detected by Huron County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Huron County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huron County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and the reports of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Huron County in a separate letter dated June 6, 2007. Huron County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Huron County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the finance committee, management, the Huron County Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hryger, Hill, Hryger & Co, P.C.*

June 6, 2007

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Commissioners  
Huron County, Michigan

### Compliance

We have audited the compliance of Huron County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Huron County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Huron County's management. Our responsibility is to express an opinion on Huron County's compliance based on our audit.

Huron County's basic financial statements include the operations of the Huron Transit, Road Commission and Airport, which received federal awards in the amount of \$1,653,189 which were not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2006. Our audit, described below, did not include the operations of these component units because other auditors were engaged by these entities to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Huron County's compliance with those requirements.

In our opinion, Huron County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### Internal Control Over Compliance

The management of Huron County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Huron County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Huron County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by Huron County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Huron County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Our report and the report of the other auditors did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 6, 2007. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise Huron County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

We did not audit the financial statements of the following funds and component units included in the financial statements of Huron County, Michigan:

<u>Funds/Component Units</u>	<u>Classification</u>	<u>Percentage of Government-wide Total Revenues and Other Sources</u>	<u>Percentage of Government-wide Total Assets</u>
Primary government:			
Airport and Parks Funds	Governmental activities	8.82%	29.73%
Huron Transit Funds	Business type activities	15.04%	11.54%
Discretely presented:			
Road Commission	Component units	47.30%	56.87%
Drain Funds	Component units	8.92%	32.32%
Huron Behavioral Health	Component units	33.44%	4.81%

The financial statements for these funds and component units were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based solely upon the reports of the other auditors.

This report is intended solely for the information and use of the finance committee, management, the Huron County Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hoyer, Hill, Hoyer & Co P.C.*

June 6, 2007

**Huron County, Michigan**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2006**

Federal Grantor/Program Name	CFDA#	Pass-through Agency	Year	Federal Expenditures
<b>U.S. Dept. of Agriculture</b>				
Special Supplemental Food Program for Women, Infant, Children Thumb Area - Michigan Works	10.557 10.561	Michigan Dept. of Public Health Thumb Area - Michigan Works	09/30/06 09/30/06	\$ 125,651 8
<i>U.S. Dept. of Agriculture total</i>				125,659
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	Michigan State Police	12/31/06	425
<i>U.S. Dept. of Justice total</i>				425
<b>U.S. Dept of Housing and Urban Development</b>				
Community Development Block Grant Housing Rehabilitation	14.228 14.228	Michigan Economic Development Corp. Mich State Housing Development Authority	09/30/06 09/30/06	165,000 54,593
<i>U.S. Dept. of Housing and Urban Development total</i>				219,593
<b>U.S. Dept. of Labor</b>				
Employment Services Funds	17.207	Thumb Area - Michigan Works	09/30/06	18,649
WIA Adult Program	17.258	Thumb Area - Michigan Works	09/30/06	8,702
WIA Youth Activities	17.259	Thumb Area - Michigan Works	09/30/06	1,966
WIA Dislocated Workers	17.260	Thumb Area - Michigan Works	09/30/06	3,345
<i>U.S. Dept. of Labor total</i>				32,662
<b>National Endowment for the Humanities</b>				
Arts Regranting	45.025	Michigan Council for Arts and Cultural Affairs	12/31/06	700
<i>National Endowment for the Humanities total</i>				700
<b>Small Business Administration</b>				
Small Business Development Grant	59.037	Michigan SBDC	12/31/06	13,400
<i>Small Business Administration total</i>				13,400
<b>Environmental Protection Agency</b>				
Beach Monitoring Grant	66.427	State of Michigan	09/30/06	12,279
State Revolving Fund	66.458	State of Michigan	Various	724,360
Non-Community Water - Aresnic Rule Implementation	66.468	State of Michigan	09/30/06	563
Non-Community Water - Operator Certification	66.471	State of Michigan	09/30/06	3,600
Non-Community Water - Operator Certification	66.471	State of Michigan	09/30/05	1,510
<i>Environmental Protection Agency total</i>	66.471 total			5,110
				742,312

**Huron County, Michigan**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2006  
(Continued)**

Federal Grantor/Program Name	CFDA#	Pass-through Agency	Year	Federal Expenditures
<b>U.S. Dept. of Health and Human Services</b>				
Family Planning - Services				
Abstinence	93.217	Michigan Dept. of Public Health	09/30/06	\$ 40,917
Immunization Programs	93.235	Michigan Dept. of Public Health	09/30/06	42,500
Bioterrorism	93.268	Michigan Dept. of Public Health	09/30/06	154,907
Pandemic flu	93.283	Michigan Dept. of Public Health	09/30/06	177,507
Chronic Disease and Health Prevention - Wise Woman Program	93.283	Michigan Dept. of Public Health	09/30/06	23,708
Chronic Disease and Health Prevention - Breast and Cervical Cancer	93.283	Michigan Dept. of Public Health	09/30/06	27,833
	93.283 total		09/30/06	163,200
				<u>392,248</u>
Temporary Assistance for Needy Families 0-3	93.558	Michigan Childrens Trust Fund	09/30/06	48,479
Temporary Assistance for Needy Families 0-3	93.558	Michigan Dept. of Public Health	09/30/06	4,500
Temporary Assistance for Needy Families	93.558	Thumb Area - Michigan Works	09/30/06	16,726
	93.558 total			<u>69,705</u>
IV-D Friend of the Court CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/06	152,325
IV-D Friend of the Court CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/07	49,747
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/04	17,873
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/05	9,581
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/06	9,110
IV-D Prosecuting Attorney CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/05	15,668
IV-D Prosecuting Attorney CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/06	6,355
	93.563 total			<u>260,659</u>
Medical Assistance Program- Case Management Services	93.778	Michigan Dept. of Public Health	09/30/06	10,459
Maternal & Child Health Svcs Block Grt - Immunizations	93.994	Michigan Dept. of Public Health	09/30/06	1,000
Maternal & Child Health Svcs Block Grt - Family Planning	93.994	Michigan Dept. of Public Health	09/30/06	8,238
Maternal & Child Health Svcs Block Grt - Maternal Infant Support	93.994	Michigan Dept. of Public Health	09/30/06	28,796
Maternal & Child Health Svcs Block Grt - CSHCS	93.994	Michigan Dept. of Public Health	09/30/06	17,931
	93.994 total			<u>55,965</u>
Strong Families/Safe Children	93.556	Michigan Dept. of Human Services	09/30/06	18,544
<i>U.S. Dept. of Health and Human Services total</i>				<u>1,045,904</u>



**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2006**  
**(Continued)**

Federal Grantor/Program Name	CFDA#	Pass-through Agency	Year	Federal Expenditures
<b>Department of Homeland Security</b>				
Hazard Mitigation Planning FEM 1346	97.039	Michigan State Police	09/30/06	\$ 8,000
2005 Homeland Security Grant Program - SHSP Equipment	97.067	Michigan State Police	09/30/06	13,536
Homeland Security Grant Program - Emergency Services	97.067	Michigan State Police	09/30/06	14,240
2005 Homeland Security Grant Program - LETPP Equipment	97.067	Michigan State Police	09/30/06	2,925
	97.067 total			30,701
 2004 Homeland Security Grant Program - Interoperable Communications Equipment	 97.004	 Michigan State Police	 09/30/06	 22,000
	97.004 total			22,000
 <i>Department of Homeland Security total</i>				 60,701
 Grand total				 <u>\$2,241,356</u>

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Huron County were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Huron County, expresses an unqualified opinion.
6. The auditor's report disclosed no instances of findings relative to the major federal award programs.
7. The programs tested as major federal award programs included:

<u>Program</u>	<u>CFDA #</u>
State Revolving Fund	66.458
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Huron County did qualify as a low risk auditee.

**B. Findings - Financial Statements Audit**

Criteria

Governments are required to establish internal controls over processing, recording and summarizing accounting data. As a result of these controls, the government should be able to prepare financial statements in accordance with GAAP.

Condition

The County has relied on its independent external auditors to assist in processing, recording and summarizing of certain financial data as part of its external reporting process. The external auditors cannot be considered a part of the County's internal control system.

Cause and Effect

The County believes that it is cost effective to rely on its external auditors to recommend these adjusting journal entries. Therefore, the County lacks internal control over the processing, recording and summarizing of accounting data.

County Views

County management has determined that it is in the County's best interest to rely on its external auditors to recommend adjustments of these types.

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2006  
(Continued)**

***C. Findings and Questioned Costs - Major Federal Award Programs Audit***

There were no findings or questioned costs related to the major federal award programs for the year ended December 31, 2006.

***D. Summary Schedule of Prior Audit Findings***

No prior audit findings.

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2006**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Huron County and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the basic financial statements.

**2. Subrecipients**

Huron County provided awards to subrecipients as presented below. These amounts are included in the federal expenditures in the schedule.

<u>Program Title</u>	<u>Amount Provided Federal CFDA #</u>	<u>To Subrecipient</u>
State Revolving Fund	66.458	\$ 724,360
Housing Rehabilitation	14.228	\$ 54,493

**3. Reconciliation to financial statements**

Reconciliation to Financial Statements

Federal revenue reported in combined financials:	
Governmental funds	\$ 1,605,753
Huron Transit - Proprietary funds	438,168
EDC - Discretely presented component unit	179,100
Road Commission - Discretely presented component unit	979,534
DPW - Discretely presented component unit	
Loan funds considered assistance	<u>724,360</u>
Subtotal	3,926,915
Less funds in above data audited by other auditors:	
Airport Fund	(235,487)
Huron Transit	(438,168)
Road Commission	<u>(979,534)</u>
Subtotal	(1,653,189)
Less adjustment of federal content	(3,268)
Less 2005 federal expenditures recorded as 2006 revenues	<u>(29,102)</u>
	<u>(32,370)</u>
Federal revenue per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,241,356</u></u>